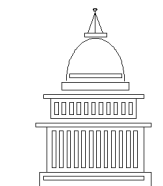




Local Governmental Auditing and Accounting

Newsletter

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Questions or Concerns?

If any entity has questions or concerns regarding budgeting, financial reporting, or compliance with state law or policy, please feel free to call any of the individuals listed above. If we don't have the answer, we can research the question or refer you to the office or individual that can help you! Outside the Salt Lake City area, feel free to use our toll-free telephone number: 1-800-622-1243. You can also e-mail us at the addresses shown above.

NEW REPORTING MODEL - NOTES TO THE FINANCIAL STATEMENTS

It has often been said that GASB has not met a note disclosure that it didn't like. That has been demonstrated again in GASB Statement #34, the new reporting model. This article contains excerpts from Statement #34 describing the additional requirements for note disclosures.

Notes to the financial statements communicate information essential for fair presentation of the financial statements that is not displayed on the face of the financial statements.

General Disclosure Requirements

Governments should provide these additional disclosures (if applicable) in their summary of significant accounting policies based on the requirements of GASB Statement #34:

- a. A description of the government-wide financial statements, noting that neither fiduciary funds nor component units that are fiduciary in nature are included.
- b. The measurement focus and basis of accounting used in the government-wide statements.
- c. The policy for eliminating internal activity in the statement of activities.
- d. The policy for applying FASB pronouncements issued after November 30, 1989, to business-type activities and to enterprise funds of the primary government.
- e. The policy for capitalizing assets and for estimating the useful lives of those assets (used to calculate depreciation expense). Governments that choose to use the modified approach for reporting eligible infrastructure assets should describe that approach.
- f. A description of the types of transactions included in program revenues and the policy for allocating indirect expenses to functions in the statement of activities.
- g. The government's policy for defining operating and nonoperating revenues of proprietary funds.
- h. The government's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Governments should provide detail in the notes to the financial statements about capital assets and long-term liabilities of the primary government reported in the statement of net assets. The information disclosed should be divided into major classes of capital assets and long-term liabilities as well as between those

associated with governmental activities and those associated with business-type activities. Capital assets that are not being depreciated should be disclosed separately from those that are being depreciated.

Information presented about major classes of capital assets should include:

- a. Beginning- and end-of-year balances with accumulated depreciation presented separately from historical cost.
- b. Capital acquisitions.
- c. Sales or other dispositions.
- d. Current-period depreciation expense, with disclosure of the amounts charged to each of the functions in the statement of activities.

For collections not capitalized, disclosures should provide a description of the collection and the reasons these assets are not capitalized. For collections that are capitalized, governments should make the disclosures required above.

Information about long-term liabilities should include both long-term debt (such as bonds, notes, loans, and leases payable) and other long-term liabilities (such as compensated absences, and claims and judgments). Information presented about long-term liabilities should include:

- a. Beginning- and end-of-year balances (regardless of whether prior-year data are presented on the face of the government-wide financial statements).
- b. Increases and decreases (separately presented).
- c. The portions of each item that are due within one year of the statement date.
- d. Which governmental funds typically have been used to liquidate other long-term liabilities in prior years (such as compensated absences and pension liabilities).

Disclosures about Donor-restricted Endowments

Note disclosures should include the following information about donor-restricted endowments:

- a. The amounts of net appreciation on investments of donor-restricted endowments that are available for authorization for expenditure by the governing board, and how those amounts are reported in net assets.
- b. The state law regarding the ability to spend net appreciation.
- c. The policy for authorizing and spending investment income, such as a spending-rate or total-return policy.

Segment Information

Governments that report enterprise funds or that use enterprise fund accounting and reporting standards to report their activities are required to present segment information for those activities in the notes to the financial statements. A segment is an identifiable activity reported as or within an enterprise fund or an other stand-alone entity for which one or more revenue bonds or other revenue-backed debt instruments (such as certificates of participation) are outstanding. A segment has a specific identifiable revenue stream pledged in support of revenue bonds or other revenue-backed debt and has related expenses, gains and losses, assets, and liabilities that can be identified. Segment disclosure requirements should be met by providing condensed financial statements in the notes similar to that already required for segment reporting:

- a. Type of goods or services provided by the segment.
- b. Condensed statement of net assets.
- c. Condensed statement of revenues, expenses, and changes in net assets.
- d. Condensed statement of cash flows.



FUND ACCOUNTING - SPECIAL REVENUE FUNDS

With this issue we continue with the fourth article in a series on fund accounting. This series should be helpful for all sizes of government entities. Our reason for writing this series is to help government accountants and bookkeepers understand the accounting environment and requirements for local governmental units. This article will discuss the special revenue fund.

Before discussing the special revenue fund it must be pointed out that government accounting standards set forth that governmental units can have any number of funds, but that the least number possible should be used. Governments should establish and maintain those funds required by law and sound financial administration. Unnecessary funds will only result in undue complexity and inefficient financial administration.

The special revenue fund is a governmental fund which may be used to account for certain revenue sources that are specified or "earmarked" for designated purposes. An example of such designated purposes would be a grant which was received for a specific purpose. The Government Accounting Standards Board (GASB) *Codification*, Section 1300.104 indicates that the fund is used "to account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditure for specific purposes."

Generally, a special revenue fund is not required except in two circumstances: First, if legal requirements require the use of a special revenue fund. In most cases, Utah law does not require the use of special revenue funds, and therefore, they seldom are needed. Second, the general fund of a blended component unit should be reported in the primary government as a special revenue fund.

Finally, in Utah it is required that counties of the first, second, and third class account for and report municipal services in a special revenue fund.

AGA OFFERS TRAINING TO STATE AND LOCAL GOVERNMENTS

For several years the Northern Utah Chapter of the Association of Government Accountants (AGA) has been offering excellent, convenient and reasonably priced training opportunities to benefit government finance officers here in Utah. The current board under the leadership of President Gary Sessions is working very hard to put together a full slate of luncheon training seminars for the upcoming year on subjects pertinent to government accountants in state, local and federal branches of government.

In June of this year, Brad Barber from the Governor's Office of Planning & Budget told about

Utah economic outlook and what we could expect over the next few years. July's meeting featured Raymond Christie talking about using communication skills more effectively. August's meeting was Mike Sanders from State Risk Management talking about legal protection for government employees. All of these were excellent seminars.

The following is a list of upcoming training opportunities:

September 19, 2000: Dave Moon, Chief Information Officer for the State of Utah, will speak on "Changing Technology in State and Local Governments."

October 17, 2000: Robert Stringham, CFO of State Retirement, will give a "State Retirement Update and Planning for Retirement."

November 21, 2000: Dan McConkie, Davis County Commissioner, will talk about "Financial Challenges Facing Local Governments."

December 19, 2000: Bob Rees, Office of Legislative Research and General Counsel, will speak on the subject, "Utah's Legislative Process and It's Impact on State and Local Governments."

AGA would like to invite everyone to join with them for these events whether they are members of AGA or not. The cost is \$15 for members and \$17 for non-members. They are usually held at the Lion House, the Salt Lake Holiday Inn, or generally somewhere close to downtown Salt Lake City. For those interested, please contact Shauna Benvegnu at 265-5621 or Fax 265-5564 to make reservations.

In addition to the monthly training, the Chapter sponsors a full day seminar usually held in the Spring of each year. Details of the 2001 seminar will be announced at a later date.

